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C O N F I D E N T I A L SECTION 01 OF 03 QUITO 001404

SIPDIS

SOUTHCOM FOR COMMANDER BANTZ J. CRADDOCK

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TAGS: PREL PGOV MARR MASS MOPS SNAR PTER EC CO

SUBJECT: WELCOME TO ECUADOR, GENERAL CRADDOCK

Classified By: Ambassador Kristie A. Kenney, Reasons 1.4 (b), (d)

¶1. (U) On behalf of Mission Ecuador, General, please accept a warm welcome on your second visit to this fascinating South American nation. Regrettably, your tight schedule forced an agenda trimming -- we initially had you traversing Ecuador's border with Colombia -- but we'll file that itinerary for future visits. Into your 23 hours in-country June 20-21 we have packed a Country Team briefing, calls on the Ecuadorian minister of defense and high command, brief press availability (we can discuss themes in person), a visit to police headquarters, and a stop at the Cooperative Security Location (CSL) in coastal city Manta. There, you will tour CSL facilities, attend an operational briefing, and call on the Ecuadorian base commander, with whom we enjoy excellent relations. We look forward to your arrival.

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A coup by any other name...  
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¶2. (SBU) You come during a (typically) tumultuous time, the Quito "street" having deposed former President Lucio Gutierrez April 20 and whisking then-VP Alfredo Palacio into power. Space limitations prevent me from fully accounting Gutierrez's downfall; citing just three components, I'd highlight the mostly-white Quito and Guayaquil elites' unacceptance of the mestizo Gutierrez, the ex-leader's inability to define his policies and find a political base, and his tacit approval of the Supreme Court president's decision that allowed a hated, exiled former president to return to Ecuador. This last action sent middle-class Quitenos into the street, demanding "que se vayan todos" ("all must go") and adopting as their *nom de guerre* "forajidos" (bandits). Protests grew in size and scope after Gutierrez declared a local state of emergency April 15; five days later, security forces executed their rescue plan, a helicopter plucking the fleeing leader off the palace roof.

¶3. (C) We since have learned that not only the forajidos sought Gutierrez's head; conspirators were everywhere. On the coast, Social Christian henchman and puppeteer Leon Febres-Cordero had pressured the then-high command to "withdraw its support" for the president. Current Minister of Government Mauricio Gandara admitted similar actions in recent comments to the press. Palacio confidant and later Vice-minister of Government Juan Guzman egged on forajidos in the streets, promising the vice president believed in their cause. Our friends in Caracas too played a role, which we can discuss further in person. And Palacio himself upheld the Ecuadorian tradition of VPs scheming against their bosses. While the media, elites, the administration and its allies continue to trumpet their "selfless democratic actions against a brutal dictator," Gutierrez's departure appears more and more a coup, albeit non-traditional in implementation.

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New boss blazes new trail  
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¶4. (C) In word if not always in deed, Gutierrez remained a U.S. ally until his departure. Deserving particular praise were his economic team, who oversaw hemisphere-leading growth and shrinking inflation, and his national security leadership, who orchestrated a tripling in Ecuador's northern border force posture. Palacio, however, has striven to differentiate himself from predecessor Gutierrez, whom many here deemed a U.S. apologist and kowtow. "I am Ecuador's last, best hope," he boasted upon taking office.

¶5. (C) A physician long drawn to the left, Palacio promised a kinder, gentler administration. Security forces would no longer conduct crowd control with tear gas, for example, hitherto the Ecuadorian SOP. Bowing to the forajidos, he promised more direct democracy, featuring referenda on key issues, administration jobs for youth, and even constitutional changes. The CSL agreement would remain in force, proof Ecuador respected its international commitments, but the agreement would be enforced to the letter. Palacio's early nominations worry us. Gandara, perhaps the president's closest advisor, delights in U.S.-bashing, whatever the issue. Foreign Minister Antonio Parra makes nice in person, but tired national sovereignty ideology dominates his

discourse as well. And two Gutierrez retreads -- former Colonels Jorge Brito and Patricio Acosta, both wedded to Bolivarian ideals -- have enjoyed palace access.

16. (C) Most troublesome is Finance Minister Rafael Correa. Despite a U.S. education (U. of Illinois), the youthful, charismatic minister offers 1970s-era economic policies, replete with "pay down the social debt, damn the foreign debt" sloganeering. His keynote action -- "restructuring" oil revenues from debt reduction to government spending increases, in hopes of reactivating Ecuador's productive sectors -- invites profligacy and has scared off many investors. He also aims to gain more state control over Ecuador's rich, but underexploited (especially by state-owned PetroEcuador) oil fields. Correa's early IMF-bashing rhetoric won him few friends in international financial institution (IFI) circles. Palacio's discontent and some public backlash have resulted in Correa toning down the rhetoric somewhat, but we surmise he has not changed his strongly-held views.

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Hold on power tenuous  
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17. (C) Ecuador's next presidential elections occur in October 2006. Frankly, I'd be surprised if the president survives that long. Adoring the office's trappings but not its responsibilities, the non-politician Palacio lacks fortitude (his wife told me that "Freddy" had been crazy to take the job). He also lacks party brethren, allies in Congress, and is beholden to powerbrokers like Febres-Cordero and the ID's Rodrigo Borja. Forajido discontent with the pace of reforms is great. Three Cabinet-level officials already have departed amidst scandal, testament Palacio's government is no cleaner than the last. Financial experts tell us budget gap looms in autumn. And former President Gutierrez renounced his asylee status in Brazil and, from the United States, is lobbing coup/conspiracy charges against his former running mate.

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Military becoming whipping-boys  
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18. (C) "Icy" describes Palacio's dealings with Ecuador's high command. Bad relations commenced April 20 after the president took the oath of office in Quito think-tank CIESPAL, where Congress had relocated due to street protests at its regular site. A crowd of protesters stormed CIESPAL, beating fleeing deputies and putting the president's life in danger for four hours. Media immediately claimed the armed forces were lax in rescuing their commander-in-chief, owing to the existence of angry pro-Lucio factions. Whether true or not, Palacio responded immediately, sacking the joint forces commander and service chiefs. Weeks later, rumors surfaced that an April 22 meeting of Quito-vicinity brigade commanders was actually a coup-plotting session. Despite Minister of Defense Solon Espinosa absolving the participants, Palacio remains uncomfortable with the high command (and has twice replaced his Army commander).

19. (C) Neither are Ecuador's elites pleased by the military's alleged "involvement" in civilian affairs. Media have demanded, and Congress might take on, a revision to Ecuador's constitution, whose Article 182 gives the armed forces responsibility for ensuring judicial order. Commentators also lambaste the military's commercial interests -- from ammunition production to hotel ownership -- codified in Ecuador's "White Book" mission statement. Last, Ecuador's Navy has been bludgeoned lately over accusations it turned a blind eye toward U.S. naval forces' sinking of Ecuador-flagged fishing and cargo vessels (involved in migrant and drug smuggling, I might add). The last issue is bound to come up in Manta; I'll brief you further upon arrival.

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Front-line focus still sound  
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10. (C) Palacio, Gandara and Parra are no friends of Colombia, representing instead Ecuador's isolationist, "its not our problem" wing. The government minister has proven particularly critical of Plan Colombia and USG efforts to assist Ecuador's northern neighbor in defeating the narcoterrorist threat, and advocates reducing GoE frontier troop levels. Parra has re-assumed former FM Nina Pacari's campaign to demand the GoC end aerial coca eradication near the Ecuadorian border. In this environment, one would expect a tactical about-face in the north.

11. (C) Thankfully, policy changes have yet to reach front-line security forces. A recent Embassy officer visit to Tulcan, deep in the mountains four miles from Colombia, showed counter-narcotics police determined to increase interdictions. The provincial prefect (U.S.

governor-equivalent) lauded the assignment of 400 additional troops to Tulcan's resident Army battalion. And the commander revealed that many of his newest soldiers were already in the field on training exercises. The Embassy-funded and supported Ecuadorian Quick Reaction Force (QRF) in Sucumbios province should become operational this year, with QRFs planned for other localities. USG elements are conducting intel operations training in Esmeraldas, two hours south of the frontier, and an U.S. Army PsyOps team will conduct a northern border assessment June 20-24. Finally, a Special Forces team is in-country, conducting C-N operations joint training (with an unspoken Colombian narcoterrorist nexus).

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Changes to the Way Ahead  
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¶12. (C) Containing Colombian spillover will remain a Top-5 Embassy priority and the focus of our security assistance program. But while serious security interlocutors comprehend the threats Ecuador faces from Colombia, many, especially in media (and now in government) do not. They instead espouse a return to "neutrality," arguing that Plan Colombia and USG assistance exacerbate what is fundamentally a political problem. U.S. military aid therefore is viewed with suspicion, an effort to drag Ecuador into Colombia's conflict. Any description of Colombia's as a "regional" conflict will spawn lengthy tremors, for example. Our response is to focus Embassy PR efforts on Southcom's "softer" aid, to include Medical Readiness Training Exercises (MEDRETES) and Humanitarian Assistance Program (HAP) projects. Defense Minister Espinosa was to accompany me on a recent MEDRETE visit but had to cancel; his air force commander became a true believer, however, after seeing the goodwill his and our forces created. Concurrently, we continue traditional security cooperation efforts designed in part to protect Ecuadorian sovereignty from organized crime/narcoterrorist infringement.

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And how you might help  
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¶13. (C) Your calls on Espinosa and the high command represent great opportunities to push various USG messages, from "stay the course on Colombia" to "remain outside (or above) the political fray." Southcom's experiences with media management should be of unique interest to Ecuadorian military leadership under a heavier than usual microscope. Similarly, any thoughts on reinventing the armed forces should be welcome, since Ecuador, with USG support (via the Center for Hemispheric Defense Studies), is knee-deep in the process.

¶14. (C) Last, I suggest words of praise in your meeting with Manta Airbase commander Colonel Leonidas Enriquez. Under his and his predecessor's stewardship, coordination between CSL and Ecuadorian forces in Manta has improved dramatically. Issues of PR concern, such as the AWACS deployment, became non-stories due greatly to Enriquez's seriousness and mission dedication.

Kenney